



BUSINESS VALUATION ▪ TRANSACTION ADVISORY SERVICES ▪ VALUE MAXIMIZATION STRATEGIES



HOW THREE MOVES QUADRUPLED THE VALUE OF THIS BUSINESS



Edward E. Pratesi, CPA/ABV, ASA, CM&AA, CVA

860.519.5648

Fax 860.519.1982

EdP@BrentmoreAdvisors.com

www.BrentmoreAdvisors.com

18 North Main Street, 3rd Floor West Hartford, CT 06107

152 Madison Avenue, Suite 200 New York, NY 10016

Are you stuck trying to figure out how to create some recurring revenue for your business?

You know those automatic sales will make your business more valuable and predictable, but the secret to transforming your company is to think less about what's in it for you and more about coming up with a reason for customers to agree to a monthly bill.

Are you stuck trying to figure out how to create some recurring revenue for your business?

The secret ... think less about what's in it for you and more about coming up with a reason for customers

Take a look at the transformation of Laura Steward's company, Guardian Angel. Steward had gotten her IT consulting firm up to \$400,000 in revenue when she called in a valuation consultant to help her put a price on her business.

Steward was disappointed to learn her company was worth less than fifty percent of one

year's sales because she had no recurring revenue and what sales she did have were dependent on her personally.

Steward set about to transform her business into a more valuable company and made three big moves:

1. Angel Watch

The first thing Steward did was to design a monthly program called Angel Watch, which offered her business clients ongoing protection from technology problems.

Steward offered her Angel Watch customers ongoing remote monitoring of their networks, pre-emptive virus protection and staff on call if there was ever a problem.

Steward approached her clients with a calculation of what they had spent with her firm over the most recent 12-month period, including the cost of her customer's downtime. She made the case that by signing up for Angel Watch, they would save money when taking into consideration both the hard costs of her firm's time and the soft costs associated with downtime.

90% of her customers switched from hourly billing to the Angel Watch program.

2. Doubling Rates

Next Steward doubled her personal consulting rates. That way, when one of the customers who decided not to opt into Angel Watch called her firm, they were quoted one rate for a technician's time or twice the price to have Steward herself.

Not surprisingly, most customers opted for the cheaper option and others chose to re-consider their decision not to sign up for Angel Watch.

3. Survivor Clause

Steward also credits a small legal maneuver for further driving up the value of her business. She included a "survivor clause" in her Angel Watch contracts, which stipulated that the obligations of the agreement would "survive" a change of ownership of her company.

Steward went on to successfully sell her business at a price that was more than four times the original valuation she had received just two years prior to launching Angel Watch.